

# Fiducian Global Smaller Companies and Emerging Markets Equities Fund



Monthly Report - October 2023

## Fund description

The Fund provides investors with the opportunity to combine investments in developed market small cap equities with investments in emerging market equities. Smaller companies in developed markets have shown superior long-term growth when compared with their larger peers. Emerging markets funds invest in developing countries and offer investors the opportunity to benefit from the significant growth potential inherent in many of these economies.

It is expected that by diversifying between these two segments of the international share market, investors could be somewhat cushioned against unexpected volatility and loss of capital that any one country's market, industry sector or individual share could generate. However, while this Fund could deliver high returns over the long term, it could also show periods of significant volatility.

The Fund utilises the Fiducian "Manage the Manager" process, selecting funds that provide diversification among different management styles, geographies and sectors.

It is recommended that investment in this Fund be undertaken for at least nine years. International share investment can be volatile over the short-term.

## Fund facts

**Portfolio manager:** Conrad Burge

**ARSN:** 093 543 849

**APIR code:** FPS0009AU

**Benchmark:** 50/50 MSCI EM/MSCI Small Cap

**Current fund size:** \$135 million (October 2023)

**Management cost:** 1.28%

**Total management costs:** 1.33%

**Application/Exit fee:** Nil

**Inception Date:** February 1999

Manager	Style			Sector	
	Value	Core	Growth	EM	Small
Fidelity	●			●	
Vanguard Emerging		●		●	
Fiducian India			●	●	
Vanguard Global Small Cap		●			●
Royce Global Small Cap		●			●

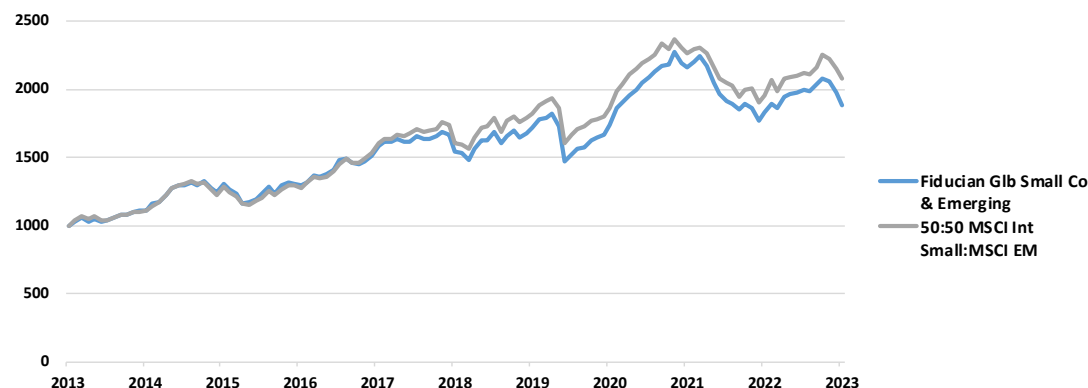
## Performance and Risk

After fee returns as at 31 October 2023

	1 Mth	3 Mth	6 Mth	1 Yr	3 Yrs	5 Yrs	7yrs	10 Yrs
Fund	-4.8%	-9.5%	-5.8%	3.1%	2.7%	3.9%	5.4%	6.5%
Index	-3.1%	-7.7%	-1.8%	6.1%	3.8%	5.3%	7.2%	7.6%
Excess	-1.6%	-1.8%	-3.9%	-3.1%	-1.1%	-1.3%	-1.8%	-1.1%

Risk Exposure

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Fund Volatility (Std Dev %)	9.6%	10.5%	12.4%	10.9%
Benchmark (Std Dev %)	10.4%	10.4%	11.8%	10.3%
Beta	0.78	0.92	0.99	1.00
Tracking Error (% pa)	3.8%	3.7%	3.3%	3.1%

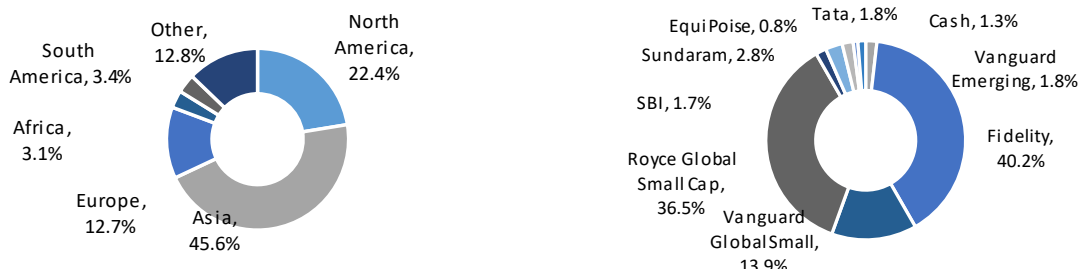


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## Geographic exposures and current manager weights



## Market Commentary and Outlook

The global economy remains sluggish due to severe measures taken by monetary authorities to reduce inflation. While inflation is slowing, manufacturing and service industry activity levels and retail sales point to a general slowdown in activity. However, employment levels remain high and need to come down further and this, along with an uptick in inflation rates could see interest rates stay high for an extended period. At the beginning of November, the Reserve Bank of Australia increased its cash rate by 0.25% to 4.35%, after being on pause since July.

In a repeat of last month, concerns that inflation rates remain too high saw an increase in bond yields. This had negative flow-on effects for most asset classes. The broad US market (S&P 500 index) declined by 2.2%, and the Australian stock market (ASX 200 index) declined by 3.8%. Interest rate sensitive sectors experienced falls, but some commodity prices, including iron ore and gold, rose during the month.

Looking ahead, geopolitical risks, alongside elevated interest rates and slower economic growth this year, represent potential headwinds for markets. The International Monetary Fund (IMF) is forecasting global growth to be 3.0% in 2023 and 2.9% 2024, which is below the long-term trend rate of growth. However, in broad terms, share markets continue to appear more attractive than most other investment opportunities.

## Fund Commentary

The Fund declined by 4.8% in October, which was below the composite benchmark return of -3.1%. For the 12 months to the end of October, the Fund rose by 3.1%, which compared to the 6.1% return of the benchmark.

The MSCI Global Small Cap index declined by 4.3% in September (in AUD), which was a larger decline than that of global large cap stocks, which declined by 1.0% (in AUD). Over the last 12 months, global small caps (+0.3%) have trailed large caps (+11.7%).

The MSCI Emerging Markets Index declined by 2.0% during the month. This was led by declines in the Chinese stock market (-4.7%), with most Asian stock markets also recording falls for the month.

Despite a rebound in recent months, global small cap indices have seen broad market valuations (notably 1-year forward price to earnings ratios) decline to levels that are now low in historical terms and appear attractive relative to other investment opportunities.

Currently, the Fund has a modest overweight in global small caps (51%) and emerging markets (47%). Global small caps have underperformed large caps over the previous year, and emerging markets have underperformed developed markets. Regionally, the largest exposures are Asia (largely emerging markets) followed by North America and Europe (predominantly global small caps).

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